

**FINANCIAL MANAGEMENT:
Review of Assertions Included in the
United States Secret Service's
Fiscal Year 2001
Annual Report of Drug Control Funds**

OIG-02-050

February 21, 2002



Office of Inspector General

The Department of the Treasury

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United States Secret Service's Revised Annual Reporting of FY 2001 Drug Control Funds

Abbreviations

USSS	United States Secret Service
OIG	Office of Inspector General
ONDCP	Office of National Drug Control Policy
U.S.C.	United States Code



Report of the Office of Inspector General

The Department of the Treasury
Office of Inspector General

Brian L. Stafford
Director
United States Secret Service

We have reviewed management's assertions in Section V of the accompanying United States Secret Service's (USSS) Revised Annual Reporting of Fiscal Year 2001 Drug Control Funds (Submission).

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion.

The Submission, including the assertions made, was prepared pursuant to 21 U.S.C. §1704(d) and Office of National Drug Control Policy (ONDCP) Circular: *"Annual Accounting of Drug Control Funds"* (Circular), and is the responsibility of USSS's management.

Secret Service's drug methodology entailed the calculation of the percentage of time spent on drug-related activities by its Investigative, Protective and Support Operations. These percentages were determined by dividing the drug related full time equivalent (FTE) by the total FTE for each operation. Although Secret Service revised the percentage for Investigative Operations based on FY 2001 FTE information, Secret Service has not reexamined the reasonableness and accuracy of the percentages for Protective and Support Operations since initially established in

1990. This matter was first reported in our FY 1999 review report.

Based on our review, with the exception of the matter described in the preceding paragraph, nothing came to our attention that caused us to believe that management's assertions included in Section V of the accompanying Submission are not fairly stated, in all material respects, based on the requirements set forth in the Circular.

This report is intended solely for the information and use of the management of USSS, the Department of the Treasury, the ONDCP, and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

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Our report has been reviewed by your staff. Based on mutual agreement, we are issuing this report as final. Should you or your staff have any questions, you may contact me at (202) 927-5430 or a member of your staff may contact Mike Fitzgerald, Director, Financial Audits, at (202) 927-5789. We appreciate the cooperation and the courtesies extended to our staff.

William H. Pugh
Deputy Assistant Inspector General for Financial Management and
Information Technology Audits
February 6, 2002

Financial Audits Division

Michael Fitzgerald, Director

Kimberly Fleming, Audit Manager

The Department of the Treasury

Office of Accounting and Internal Control

Financial Crimes Enforcement Network

Director
Assistant Director, Administration / Chief Financial Officer
Director, Financial Management Division
Director, Office of Inspection
Budget Officer
Deputy Budget Officer

Office of Management and Budget

OIG Budget Examiner



DEPARTMENT OF THE TREASURY
UNITED STATES SECRET SERVICE

February 5, 2002

MEMORANDUM FOR: JAMES R. LINGEBACH
ACTING DEPUTY CHIEF FINANCIAL OFFICER

WILLIAM H. PUGH
DEPUTY ASSISTANT INSPECTOR GENERAL FOR
FINANCIAL MANAGEMENT AND INFORMATION
TECHNOLOGY AUDITS

FROM:

STEPHEN T. COLO *Stephen T. Colo*
ASSISTANT DIRECTOR/CHIEF FINANCIAL OFFICER
OFFICE OF ADMINISTRATION

SUBJECT:

REVISED ANNUAL REPORTING OF DRUG CONTROL
FUNDS

In accordance with the Office of Inspector General memorandum, *Unreasonable Burden - USS Annual Reporting of FY 2001 Drug Control Funds*, of January 28, 2002, the revised Secret Service Annual Reporting of Drug Control Funds for FY 2001 is attached. As requested, this revision is in full compliance with Section 5 of the Office of National Drug Control Policy Circular: *Annual Accounting of Drug Control Funds*.

Attachment

cc: Director, Office of Finance and Administration
Office of Enforcement
Departmental Budget Officer

UNITED STATES SECRET SERVICE

I. RESOURCE SUMMARY(Obligations in Millions)

	2001 Actual
Drugs Resources by Goal	
Goal 2	\$8.809
Goal 3	<u>12.920</u>
Total	\$21.729
Drug Resources by Function	
Investigations	\$8.809
Prevention	<u>12.920</u>
Total	\$21.729
Drug Resources by Decision Unit	
Investigative Operations	\$8.809
Support Operations	9.334
Protective Operations	<u>3.586</u>
Total	\$21.729
Drug Resources Personnel Summary	
Total FTEs (direct only)	144
Information	
Total Agency Budget	\$835.699
Drug Percentage	2.6%

II. METHODOLOGY

- The cumulative drug-related funding level for Secret Service is based on estimates of drug-related activities within three Secret Service decision units, Investigative Operations, Support Operations, and Protective Operations. Estimates of drug-related workload for each is based on an analysis of base staff hours expended in support of drug-related activities. An estimated 3.67% of the Service's FY 2001 Investigative Operations workload was drug-related. Also, an estimated 7% and 1% of the FY 2001 workload of the Support Operations and Protective Operations respectively, is drug-related.
- Resources identified are based upon a methodology, which incorporates pay, benefits and support costs of FTE devoted to drug enforcement activities. These include criminal investigations, federal/state/local task force involvement, employee and applicant drug testing, protectee drug-related speeches, and protection for protectees involved in other drug enforcement related activities.
- There is a notable reduction of drug-related funding identified for FY 2001. This is a result of the change in the percentage of staff hours expended in support of drug-related activities for Investigative Operations. The percentage used last year had not been updated since it was first formulated. Starting with FY 2001, the estimated percentage will be based upon an annual analysis of base investigative staff hours expended; therefore, this percentage will

fluctuate annually. The percentages used for Support Operations and Protective Operations have not changed.

III PROGRAM SUMMARY

- The mission of the Secret Service includes the authority and responsibility to:
 - Protect the President, the Vice President, the President-elect, the Vice President-elect, and members of their immediate families; major Presidential and Vice Presidential candidates; former Presidents, their spouses and minor children; and visiting heads of foreign states/governments;
 - Provide security for the White House Complex and other Presidential offices, for the official residence of the Vice President, and for foreign diplomatic missions in the Washington, DC metropolitan area;
 - Detect and arrest any person committing an offense against the laws relating to currency, coins, obligations, and securities of the United States or foreign governments; and
 - Detect and arrest those persons violating laws pertaining to electronic funds transfer frauds, credit card and debit card frauds, fraud involving federally insured financial institutions, false identification documents or devices, and computer access fraud.

IV. PROGRAM ACCOMPLISHMENTS

- "Plan Colombia" is a reimbursable funding agreement that has allowed the Secret Service to expend funds in order to deter counterfeiting in Colombia. The Secret Service, with the assistance of the Colombian National Police (DIJIN) and the Departamento Administrativo de Seguridad (DAS), has been successful in several operations that have resulted in the seizure of millions of dollars in counterfeit U.S. currency, as well as cocaine and heroin. Several of these operations have taken place in areas controlled by the guerilla group Fuerzas Armadas Revolucionarias de Colombia (FARC). One case originating in Colombia involved a counterfeit ring that was using counterfeit U.S. currency to purchase firearms for the FARC. In a recent case in New Orleans, Louisiana, cargo ships, originating from Colombia, were utilized as a means to transport counterfeit U.S. currency, heroin, and cocaine into the United States. This trend is increasing, and funding from projects such as Plan Colombia allows the Secret Service to actively investigate such networks.
- Since the early 1980's, the Secret Service has seen an increase in the number of financial crimes, affecting financial institutions and individuals in the United States, being committed by organized Nigerian criminal groups. These criminal groups have instituted sophisticated fraud schemes in the area of bank fraud, false identification, insurance fraud and credit card fraud. However, the most prevalent and successful type of fraud perpetrated by Nigerian groups today is advance fee fraud.

Secret Service Nigerian Organized Crime Task Forces currently operate in nine cities across the U.S., and these advance fee fraud scams remain a priority investigation. These Secret Service task forces are currently evolving into Inter-Agency Nigerian Organized Crime Task

Forces pursuant to the Attorney General's mandate on Nigerian Criminal Activity. In addition to the U.S. Task Forces, the Service established a Task Force in Lagos, Nigeria in January of 1999, which works operationally with the Nigerian National Police Special Frauds Unit and Interpol authorities. As a result of these concentrated task force efforts, the Service has been able to recognize a continued growing trend among the Nigerian organized groups to use the illicit proceeds obtained from fraud schemes, such as advanced fee fraud, to finance other criminal operations, such as narcotics trafficking, or to facilitate anonymity through the use of fictitious identification.

V. ASSERTIONS

The prior year obligations are actual, and the Service asserts that the methodology it uses to calculate its obligations of prior year budgetary resources is reasonable.

It also asserts that the methodology disclosed was the actual methodology used to generate the table required by Section 5a of ONDCP Circular: *Annual Accounting of Drug Control Funds*.

Finally, the Service asserts that the data presented are associated with obligations against a financial plan that, if revised during the fiscal year, properly reflects those changes, including ONDCP's approval of reprogrammings or transfers affecting drug-related resources in excess of \$5 million.